

How Do I Handle...

Advanced Payments

(Includes multi-year maintenance agreements)

Prepayments for orders under 10K (within department delegation)

- Some payments, such as subscriptions, postage, membership dues, registration fees, rent, and one year maintenance agreements require payments to be made in advance of the service date or receipt of goods.
- Order forms and registration forms, approved contracts and agreements can be submitted to Accounts Payable in the place of invoices for these payments. Those documents will need to include information such as payable to, remit to address, itemization of charges and expenses and the amount due to be used.
- Payments of this type are initiated when the department checks 'AP Prepayment' when processing their HokieMart requisition. This alerts AP there is a prepayment request. Instructions on processing prepayments in HokieMart can be found [here](#).
- Typically, AP will pay no more than 50% in advance for tangible goods and services. When there is a request to pay above this amount, it must be approved by an Accounts Payable supervisor.

Prepayments for orders greater than \$10,000 that are routed to Procurement

- Prepayments for services are allowed up to one year.

Prepayments for services for longer than one year that are routed to Procurement

- Prepayment for goods and services risks non-performance of the vendor, this puts the university at a disadvantage, and is therefore discouraged. Procurement seeks to avoid prepayments whenever possible.
- However, there are some circumstances where the prepayment offers exceptional savings with minimal risk.
- Exceptions to standard one-year prepayment practice must be supported by a cost benefit justification, must be documented, and must be pre-approved. (Some examples include substantial discount for additional maintenance at time of purchase, substantial discount for extended maintenance at time of purchase)
- Departments must substantiate the request, which requires documented details that clearly identify the reasons that the advance payment is preferred and the risk entailed.
- Departments should complete the [Advance Payment Justification Form](#). This form provides a list of questions that will help expedite processing and enable prompt advanced payment procedures. It is imperative that the department address the objectives by documenting and attaching any additional information that supports the advance payment.
- The Advance Payment Justification Form must be submitted to Brad Foster/Stacy King for approval. The approved Advance Payment Justification Form must be attached to the requisition in HokieMart so that Procurement is authorized to proceed with the Advance Payment.



**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
ADVANCE PAYMENT REQUEST**

PREPARER: _____ DEPARTMENT: _____

REQUISITION/PO NUMBER: _____ DATE REQ/PO SUBMITTED: _____

VENDOR NAME: _____ PAYMENT AMOUNT: _____

Exceptions to standard payment practices must be fully justified, documented, and pre-approved. The following is a list of questions which will substantiate an advance payment request. It will help expedite processing if thorough and sufficient details are provided to clearly answer each of these questions. **Please use additional sheets and attach all additional information to this form if necessary.**

1. Briefly, what is the aim of the project in which this product or service will be used.
2. Why is an advance payment being requested? Please explain in detail any cost savings and/or other benefits the University will realize if payment is made in advance.
3. What is the amount of risk associated with making this payment in advance?
4. Will the vendor allow for equal payments over the term of the agreement?
5. Why is the vendor offering this deal?
6. Do other universities have the ability to access the contract/agreement?
7. Do other universities have the option to receive the same pricing/deal?

Authorized Departmental Signature Date

Controller's Office Signature Date